

SPECTRUM WATCH

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June 23, 1997

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Federal Communications Commission
Office of Secretary

Mr. William F. Caton
Secretary
Federal Communications Commission
1919 M Street, NW
Room 222
Washington, DC 20554

RE: WT Docket 97-82. DA 97-679. (June 2, 1997)

Dear Mr. Caton:

We offer our comments on the proposals before the Wireless Telecommunications Bureau to restructure federal payments by broadband PCS C and F Block licensees for their licenses.

We are opposed to the proposals outlined in the correspondence of Mr. Sawicki and of Mr. Gutierrez et al. Rather, we wish to associate ourselves with the sentiments expressed in the letter from Mr. Marrs. While we understand the concerns proffered by Messrs. Sawicki and Gutierrez, the public interest will not be served by restructuring these payments. Far from it, American taxpayers will be ill-served should the Commission proceed with a debt-relief scheme of this magnitude.

If the PCS investment climate is cautious and capital is scarce, it has much to do with the price the license holders agreed to pay for their licenses. Many observers at the time, including Chairman Hundt, questioned the high level of bidding during last year's auctions. Overbidding, less-than-sound business plans, and reports speculating on defaults have all contributed to a cool investment climate. Now these license holders are seeking federal relief claiming "market conditions have changed" -- conditions that they helped create.

If the investment markets are "increasingly cautious," shouldn't the FCC be cautious as well? In fact, shouldn't the FCC be more cautious as it is charged with protecting the public and taxpayers' interests?

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These private companies have made financing scarce with overinflated bids and questionable business plans -- and now come on bended knee before the Commission pleading for relief because the payments are too burdensome and capital is scarce. From our perspective and that of taxpayers, it is hard to be sympathetic. The complaint that current capital must go to debt and license payments instead of building system infrastructure is hardly the fault of federal taxpayers. American taxpayers did not force these "entrepreneurs" to make exaggerated bids. The complaint is disingenuous and a subterfuge. Moreover, the complaint amounts to a subversion of the competitive bidding process and will certainly undermine the market's confidence in future spectrum auctions.

The Commission's installment payment plan, in our view, does not appear to be the problem. In fact, it seems very reasonable, designed to provide flexibility to licensees (e.g. the 90 day grace period for quarterly payments; only interest payments for the first half of the license; no principal payments due until the last four years) while protecting taxpayer interests. The public interest will not be served by relaxing an already generous payment schedule. Rather, the proposal appears to serve a few, very specific interests at considerable financial risk to American taxpayers. What assurance do taxpayers have that any money will be paid later? *We also note that licensees were well aware of FCC payment schedules and policies before they made their bids!*

We also have concerns about fairness. How does the FCC propose to treat those who have played by the rules and met these financial payment deadlines? Does this not invite further relief from federal payments on spectrum licenses? Does this not establish a dangerous precedent? How does any of this serve the public and taxpayer interest? While we understand that capital is necessary to build PCS infrastructure, again, we agree with the observation that equity markets might react much more favorably to new players with more financially reasonable plans.

Rather than reward these licensees with debt relief schemes, the FCC should enforce its current debt repayment policies -- even if license holders default. Reauctioning licenses that have defaulted is a far more preferable and equitable solution for taxpayers and, in fact, has been Commission's intent all along. In a March 26, 1996, speech before the Cellular Telecommunications Industry Association in Dallas, Chairman Hundt stated, "We have long had plans to reauction defaulted licenses right away. And if the reauctioned licenses fetch less than the original amounts, we'll go after the original winner for the difference, plus a penalty." We would find it particularly egregious if the Commission were to write down the principal owed to the federal government by licensees -- as would the American public.

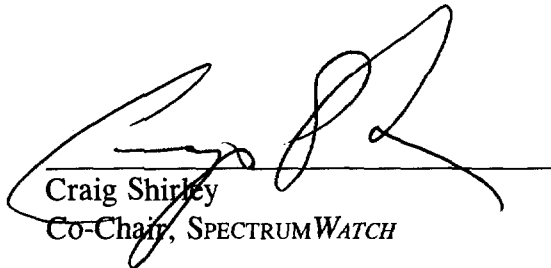
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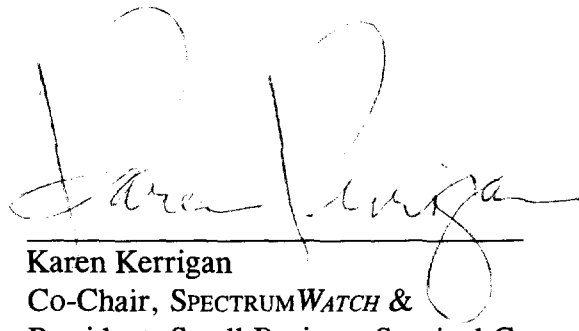
We urge the Commission to remove the suspension on installment payments and enforce its existing policies regarding spectrum payments. To do less risks the erosion of public confidence and trust in the Commission and undermines the ability of the Commission to pursue further spectrum auctions.

SPECTRUMWATCH is a public interest coalition dedicated to guarding the taxpayers' interests with regard to spectrum allocation and spectrum auction issues.

Sincerely,



Craig Shirley
Co-Chair, SPECTRUMWATCH



Karen Kerrigan
Co-Chair, SPECTRUMWATCH &
President, Small Business Survival Committee

cc: Reed Hundt, Chairman, Federal Communications Commission
Members of the United States Senate
Members of United States House of Representatives